



Testimony of

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Good morning, Chairman Cardin, Dr. Paul, and distinguished members of the committee. Thank you for the opportunity to appear before you today to discuss President Biden's Fiscal Year 2023 budget request for the U.S. Small Business Administration—and our intent to apply the resources and leadership provided by Congress to continue supporting our small business economy and delivering for a surging wave of new American entrepreneurs.

The President's budget requests \$1.06 billion—\$914 million to support the SBA's critical small business programs that foster growth and opportunity along with \$143 million for major disasters under the Stafford Act. Collectively, this funding level represents practical investments in economic progress that will help lower the federal deficit, cutting costs for families, and advancing the President's bipartisan Unity Agenda.

I have seen for myself how these investments will help uplift America's growing population of small business owners and entrepreneurs. Over the past year, I've visited hundreds of small businesses across 28 states and Puerto Rico. I've had the opportunity to visit many of the communities you represent and witness the strength and resilience of American entrepreneurship firsthand.

Despite hardships from the pandemic, America's small businesses and innovative startups are creating new jobs, powering our economy, strengthening our global competitiveness, and supporting working families and communities across the nation.

America's global economic leadership and strength depend on the health of our nation's small business economy and the entrepreneurs contributing to it.

Americans are launching businesses at record rates. Business applications have risen more than 30% from pre-pandemic levels, and in 2021 alone, 5.4 million Americans applied to start a business.

One of this Administration's top priorities is making sure the opportunities of this surging economy are reaching all Americans. President Biden often says that ability is spread evenly but opportunity is not. And that's important because building equity—ensuring America's doors of access and opportunity are open to all—isn't just the right thing to do, it's good for business.

Investing in equity helps ensure more of our nation's extraordinary talent and creativity can be fully leveraged to create products and services that make our lives better and confront global challenges.

President Biden's fiscal year 2023 budget builds on the agency's successes, honing our programs to make it easier for small businesses to grow—especially in communities and areas of our economy where they are needed most: expanding the supply of affordable childcare, constructing new renewable energy capacity, building generational wealth in underserved communities,

positioning small businesses to serve as contractors in the buildout of modern infrastructure, and inventing—and bringing to market—powerful new technologies to address climate, cybersecurity, and so much more.

COVID RELIEF

To put the President’s fiscal year 2023 budget in context, we need to consider how we got here—and how far we have come in America’s economic recovery from COVID.

Facing a once-in-a-generation pandemic, Congress worked with President Biden to deliver the American Rescue Plan, historic legislation that built on the CARES Act and the Economic Aid Act to strengthen financial safety nets and ensure millions of American small businesses could survive the pandemic.

In Fiscal Year 2021, the SBA distributed more than \$450 billion in financial relief through the Paycheck Protection Program, the COVID Economic Injury Disaster Loan and Advance programs, the Restaurant Revitalization Fund, and the Shuttered Venue Operators Grant program. Those vital relief funds saved jobs in every community in the country.

As a result of Congressional leadership, we have helped millions of small businesses and nonprofits keep their doors open and expanded our reach to serve the smallest of small businesses, underserved entrepreneurs, main street restaurants and live entertainment venues.

After making key programmatic changes that protected the integrity of the Paycheck Protection Program (PPP) and COVID EIDL programs from fraud, we served more sole proprietors and mom and pop businesses than ever before. Now, we’re continuing to deliver on the promise of forgiveness. To date, 87 percent of all eligible PPP recipients have submitted forgiveness applications and 86 percent have had their loans partially or fully forgiven.

SBA staff also worked carefully to expand access to small business lending for our core customers. For example, the agency developed new rules to make it easier for projects to use 504 refinancing with or without expansion funding.

Over the past year, we also redesigned COVID EIDL, our Economic Injury Disaster Loan program, to meet our customers’ needs with an improved user experience including a mobile-friendly application, as well as making several impactful policy changes including more flexible use of funds, loan payment deferment, and a more streamlined process for speed and certainty.

As a result of these improvements, our COVID EIDL program distributed vital emergency relief that reached as much as \$2.8 billion per day, and we’re continuing to distribute around \$750 million per day through the program to finalize reconsiderations and loan increase requests.

CAPITAL ACCESS

The SBA’s core capital programs delivered at impressive, record-setting levels in Fiscal Year 2021—another reflection of the historic surge in American entrepreneurship and further evidence

that demand for SBA capital support is outpacing available resources, with the unprecedented approval of more than 51,850 7(a) loans totaling \$37 billion, a 62 percent increase from the previous year.

In the 504 loan program, the SBA approved more than 9,670 loans, totaling \$8.2 billion. That is also a record and a 41 percent increase from last year, utilizing the entire \$7.5 billion authorization for the core 504 program.

The Microloan Program delivered more than 4,500 loans to small businesses in underserved communities, totaling nearly \$75 million.

The SBA also exceeded its Lender Match Agency Priority Goal target of 86,000 businesses connected through Lender Match by more than 500 percent, bringing access to SBA loans within reach for 554,000 small businesses—helping to increase the number of lender and small business connections, upgrading user experience and convenience, and improving access to capital overall.

Combined, SBA’s capital programs support hundreds of thousands of jobs—and after a careful review, including the high demand for them, President Biden is requesting authorization for a 13% increase in small business capital across these programs above enacted Fiscal Year 2022 levels for a total of \$71 billion.

Specifically, the President’s request includes a \$5 billion increase to lending authorized under the 7(a) loan program, a product most often used by small businesses for working capital or business acquisition; a \$2 billion increase in authority for Secondary Market Guarantees for 7(a) loans; and a \$1.5 billion increase to lending authorized under the 504 Loan Program, most often used to finance major purchases with the objective of long-term growth, such as real estate and major equipment.

COVID EIDL TRANSFER AUTHORITY

The Budget request recognizes that we need to make sure COVID EIDL borrowers are supported. SBA is requesting authority to transfer \$320 million in already-appropriated targeted EIDL advance balances to support COVID-EIDL loan servicing and other COVID-related programs.

Transferring this funding is critical since the SBA bears responsibility for servicing more than 3.9 million COVID EIDL loans totaling more than \$361 billion. For comparison, that amounts to nearly half the volume of all credit card debt in the United States today.

A large percentage of these borrowers will start making monthly payments in the months ahead, requiring SBA to shift from COVID EIDL origination to servicing. Our role as an agency should also include providing these borrowers with the necessary education, support, and quality customer service they deserve as they enter this new phase of their recovery.

We believe the \$320 million transfer authority requested in the President's budget is sufficient to provide the necessary support in the coming fiscal year.

BUILDING RESILIENCY FOR SMALL BUSINESS

One of President Biden's top priorities in office has been preparing America's economy and our communities for the growing threats and challenges of a changing global climate. The SBA plays an important role in this work.

As climate change has driven more frequent and devastating natural disasters, the SBA's Office of Disaster Assistance has been an important federal partner over the President's first year, providing lifelines totaling nearly \$2.3 billion to help small businesses, renters, and homeowners recover and rebuild.

That SBA disaster aid included nearly \$100 million in loans to support victims of the Colorado Wildfires and Straight-line Winds and \$1.8 billion in loans to help more than 37,000 individuals and businesses all the way from Louisiana to New York recover and rebuild after Hurricane Ida.

With a more active hurricane season forecast for this year, one of the most effective ways we can help mitigate the disaster costs of climate change is to invest more in resiliency.

The President's budget requests \$179 million in disaster funding—including \$10 million to help address the climate crisis through the SBA's business loan and disaster loan programs—to ensure the agency can deliver its critical support after a disaster and help prevent similar damage in the future by supporting efforts to facilitate access to capital for climate change mitigation investments and resilience efforts to support a more sustainable economy.

VETERANS

One of the most important places where the SBA is working to build our capacity is in support of America's veteran entrepreneurs. Veteran-owned small businesses generate nearly \$1 trillion in revenue annually and they support 4 million jobs.

In Fiscal Year 2023, the SBA is planning to expand the Veterans Business Outreach Center Program significantly—from 22 to 34 locations nationwide, an expansion that will significantly improve the customer experience for veteran entrepreneurs by reducing travel and wait times for appointments and providing additional local training opportunities.

This expansion reflects an expectation that demand for small business startup and scaleup technical assistance among veteran small business owners will continue to grow—in part because of an expanded focus on underserved and underbanked communities as well as continued implementation of the FY 2019 National Defense Authorization Act (NDAA) requirements that increased the number of transitioning service members and military spouses that have access to SBA's popular Boots to Business program.

Another way we're working to improve customer experience and support for veteran entrepreneurs is the ongoing transfer of duties associated with the Center for Verification and Evaluation or CVE, from the U.S. Department of Veterans Affairs to the SBA, as directed by the FY 2021 NDAA.

This center is responsible for verifying veteran eligibility for veteran-owned small businesses and service-disabled veteran-owned small businesses, an important certification that empowers these veteran business owners to participate in set-aside and sole source contracting opportunities. With the transfer of these responsibilities to SBA, the certification will become available to all veteran contractors, not just those doing business with the VA.

Veteran's Small Business certification program and oversight will be the responsibility of the SBA starting January 1, 2023. As a result, the President's Budget requests \$20 million to manage this transition and maintain the CVE program for the duration of the 2023 fiscal year—funding that will provide the resources necessary for information technology infrastructure development, integration, and maintenance.

The SBA also plans to collaborate with the VA to support outreach activities, including marketing and training to assist the veteran small business community to ensure continued operations and support to program participants in the areas of application processing, eligibility, and oversight of continuing eligibility for program participants to ensure their eligibility for contracts.

INVESTMENT AND INNOVATION

SBA's innovation arm delivered significant support last year with Small Business Investment Companies (SBICs) providing more than \$7 billion in long-term funding to more than 1,000 small businesses helping to start, grow, and sustain small businesses and startups across 49 states and Puerto Rico. The budget requests an authorized commitment level of \$5 billion for the SBIC program, consistent with the FY22 authorized level and a \$1 billion increase from FY21.

The President's budget also builds on the FY 2022 request to support the scaling up of SBIR/STTR programs, enabling additional outreach and training efforts targeted to women, underserved geographic locations including rural, and socially or economically disadvantaged entrepreneurs.

This budget also proposes investments that will strengthen America's innovation ecosystem by providing \$10 million to Growth Accelerators, \$10 million to Regional Innovation Clusters (RICs), and \$10 million to our Federal and State Technology (FAST) Partnership Program.

CONTRACTING

America's small business industrial base has seen a long pattern of decline, with the number of small businesses contracting with the federal government dropping by close to 40 percent over

the past decade. New entrants have decreased even more, by as much as 60 percent. We also know that small businesses owned by people of color and women continue to be left out.

Under President Biden's leadership, the SBA has implemented significant reforms to reverse these trends and open the doors of contracting to more small businesses in more communities.

For example, federal agencies will be required to track and publicly report how they're bringing in new contractors. The SBA is managing executive performance metrics to small business goals for socio-economic firms including the President's 15 percent goal for small, disadvantaged businesses by 2025, with a Fiscal Year 2022 goal of 11 percent. We believe the Bipartisan Infrastructure Law and the Made in America Executive Order will provide additional opportunities for small businesses to contract with the government, either directly or as suppliers to other firms.

To improve transparency and accountability, the SBA has also started reporting disaggregated federal contracting data across industries and sectors, including tracking by race and ethnicity, for the first time ever. As a result we can better track contracting disparities—including, for example, knowing that Black-owned firms are awarded less than 2% of contracts but make up 10% of all businesses.

Along with releasing the disaggregated data, agencies will track new entrants alongside small business performance, and we are including contracting goals in the evaluations of senior executives managing procurements. We've also worked closely with the Office of Management and Budget to revise and clarify category management policies and practices to significantly expand opportunities for small business contractors, especially those in underserved communities.

As the agency responsible for directing the federal contracting goals for small businesses, the SBA is committed to closing these gaps and opening doors of federal contracting by working with all our federal buying agencies and offering direct support to more small businesses to get them capital and contract ready.

To that end, the President's fiscal year 2023 budget includes \$9.8 million, an increase of \$6.3 million over FY22 enacted, to scale up training to help an estimated 9,500 small, disadvantaged businesses better prepare for federal contracting opportunities.

With funding increases for the 7(j) Program, the SBA also plans to promote inclusive economic opportunity in government contracting for 7(j) eligible business owners, namely low-income individuals, residents of low-income areas, residents of high unemployment areas, HUBZone eligible firms, 8(a) firms, and economically disadvantaged women-owned small businesses. We know, for example, that 8(a) certified firms that received 7(j) training had a 12 percent higher probability of getting their first contract compared with firms that did not take the training.

ENTREPRENEURIAL DEVELOPMENT

During COVID, we learned that connection and networks were critical for entrepreneurial success. The agency's nationwide network of resource partners has delivered entrepreneurship and small business training and support to more than 1.2 million entrepreneurs, with clients obtaining more than \$7.9 billion in capital and starting nearly 26,000 new businesses in FY 2021.

These networks have expanded to meet the growing demand for their services. For example, the SBA maintains a network of more than 140 Women's Business Centers (WBC). With the opening of our 141st location in Alaska, we now have a WBC in every state, the District of Columbia and Puerto Rico, making it the largest such network in our agency's history focused on the unique strengths and needs of women entrepreneurs.

The President's fiscal year 2023 budget builds on a still-growing demand for these and related services, requesting \$318 million—a 17% increase above the FY 2021 enacted level—for Entrepreneurial Development programs.

SALARIES & EXPENSES

Ultimately, the important mission carried out by the SBA relies on the strength of our talented and dedicated workforce. This budget request invests \$346 million to ensure the SBA can hire and retain the talent needed to provide these critical services and meet the demand for loans, counseling, training, government contracting, and other support during this time of increased entrepreneurship and business formation.

Ensuring strong federal support for this account will ensure that the agency can continue to meet the demand and deliver customer-centric services that America's small businesses need to succeed.

FRAUD REDUCTION

One of my most important missions at the SBA is ensuring good stewardship of our limited federal resources. That is why the SBA has upgraded our systems and processes to detect and prevent fraud.

We recognize that managing fraud risk in agency programs and operations is integral to responsible stewardship of taxpayer resources and effective service delivery to the American public.

During this Administration, the SBA has acted quickly to protect taxpayer dollars, first by restoring controls that mitigate fraud as approved by Congress under the Economic Aid Act. We deployed technology as well as made various other process improvements that not only sped up review times but also automatically routed high-risk loans for closer scrutiny.

As a result, the SBA has been better able to crack down on fraud, substantially reduce application backlogs, and significantly improve SBA customer experiences while still ensuring

legitimate businesses have a clear path to access the emergency financial lifelines Congress created for them.

The SBA's work in the Biden-Harris Administration to enhance fraud controls in pandemic programs has been recognized by federal accountability agencies and watchdogs. And these new fraud prevention measures are just the start.

I recently announced the creation of the SBA's new Fraud Risk Management Board (FRMB). This Board is the agency's designated anti-fraud entity and replaces existing fraud risk structures put in place before the pandemic and will provide the necessary oversight and agency-wide coordination under the standards and framework recommended by the GAO.

I have also designated an SBA Special Counsel for Enterprise Risk to work directly in the Office of the Administrator to limit fraud and risk across the Agency in coordination with our established Enterprise Risk Management Board and the Fraud Risk Management Board.

This work is important which is why the SBA strongly supports the work of the Interagency COVID-19 Fraud Enforcement Taskforce and the Department of Justice Chief Pandemic Prosecutor and Director for COVID-19 Fraud Enforcement—efforts that I am confident will further develop SBA's fraud risk framework and further strengthen our mitigation efforts.

We are working closely with the Office of Inspector General and other federal authorities to refer suspected fraud to the appropriate law enforcement authorities so that they can recover taxpayer funds with our full support. This is a critical part of SBA's mission and I am committed to working with stakeholders—including Congress—to protect SBA's programs from abuse.

CONCLUSION

President Biden's budget request for Fiscal Year 2023 builds on the incredible progress we have made since the start of the Biden-Harris Administration: building bridges of equity and opportunity across America; and, opening doors for more small businesses to grow with access to capital, networks, training, innovation, and government contracting.

We have helped spark a historic resurgence in American entrepreneurship. The President's budget framework taps into the entrepreneurial spirit to position small businesses at the forefront of our nation's rebuilding and as the foundation for America's greatest economy yet.

Thank you again Chairman Cardin, Dr. Paul, and distinguished members of the committee, for the opportunity to appear before you today. I look forward to your questions.